



2006 ANNUAL REPORT

Fiscal Data

These pages account for the revenues DNR generated, collected and expended during Fiscal Year 2006 (July 1, 2005 – June 30, 2006).

Most revenues DNR generated are from activities on upland state trust lands and aquatic lands. (See related stories, pp. 4-11). Distribution of revenue is governed by statute, and varies according to trust and revenue source.

About These Pages

- Fiscal information is presented as a combination of tables, pie charts and notes. The notes provide context for the tables.
- Underlined bold numbers are totals or subtotals.
- Some pages show dollars in thousands. Totals may not add due to rounding.

For More Information



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There is no individual page for the Community College Forest Reserve Trust. See Fund Activity (page 29).

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Fiscal Notes

These numbered notes provide context and explanations for data in the tables on the fiscal pages that follow, where they are referred to by numerical superscript. A note may apply to more than one page. Although similar to notes in prior reports, these notes apply only to this report (FY 2006).

ACRONYMS

ACTMA	Agricultural College Trust Management Account
AFRS	Agency Financial Reporting System
ALEA	Aquatic Lands Enhancement Account
CEP&RI	Charitable, Educational, Penal and Reformatory Institutions Trust
COLA	Cost of Living Adjustment
CWU	Central Washington University
EWU	Eastern Washington University
FDA	Forest Development Account
FY06	Fiscal Year 2006 (July 1, 2005 – June 30, 2006)
K-12	Kindergarten-12th grade schools
RMCA	Resource Management Cost Account
TESC	The Evergreen State College
UW	University of Washington
WSU	Washington State University
WWU	Western Washington University

1 REVENUE SOURCES

Timber sales include non-trust activity for contract harvesting sales.

Timber sales-related activities include contract extensions, slash disposal, trespasses, and default settlement payments.

Miscellaneous sales include publications, GIS data, honor camp activities, and surveys and maps.

Miscellaneous leases include special use and special forest products.

Interest income includes interest on contracts, interest assessed for late payments, and interest earned from account (treasurer's interest).

Permits, fees and related charges include surface mining permits, log patrol licenses, aquatic lands dredged material disposal site fees, forest practices damage assessments and permits, survey records recording fee, application/assignment fees, burning permit fees, and local government assessments.

Miscellaneous other revenue includes prior period adjustments, recoveries of prior biennium expenditures, treasurer transfers, as well as revenue from the Off-Road Vehicle and Natural Resources Conservation Areas Stewardship accounts.

Operating transfers include transfers attributed to prior period revenue.

2 EXPENDITURE CATEGORIES

Administration includes Executive Management, Internal Audit, Communications, and Budget & Economics.

Interagency payments are payments made to other state agencies (Attorney General, State Auditor, General Administration, Dept. of Personnel, Office of Financial Management, Dept. of Information Services, OMWBE, and Secretary of State) for services they provide to the department.

Agency support includes the following programs: Human Resources (personnel, safety, training), Financial Management (accounting, risk management, purchasing), Information Technology, Geographic Information Systems, Facilities, and Region Administration.

Total Expenditures for fiscal year 2006 do not include the interfund transfer (sub-object MB) from 001/1K1 to 830 totaling \$972,000.

3 LAND TRANSFERS

Real Property Replacement: During fiscal year 2006, a total of \$1,559,126, an amount equivalent to the property value, was received from (1) transfers to other government entities, (2) resolution of trespass violations, or (3) transfers in lieu of condemnation. This money is used to acquire replacement trust lands.

Trust Land Transfer: During fiscal year 2006 a total of \$11,311,000 was distributed to the Common School Construction Account from the Trust Land Transfer program.

4 LAND BANK

DNR uses the Land Bank program (RCW 79.19) to reposition trust land assets for better future income production. Through the Land Bank, state trust lands are first auctioned to private buyers. Proceeds of land sales made under this "sell first" process are held in the Resource Management Cost Account (RMCA) until they can be used to purchase replacement trust lands. This revenue from trust property sales should equal or exceed the cost of trust property purchases. However, during any one fiscal year the transactions may not balance (e.g. a property has been sold, but property to replace it has not yet been purchased). Land bank transactions are accounted for by trust within each of DNR's management funds.

Revenue from fiscal year 2006 sales and existing contracts were \$18,965,998 to the RMCA. A total of \$26,297,259 in the RMCA is reserved to acquire property to replace trust property previously sold through the "sell first" process of the Land Bank program.

5 AGRICULTURAL COLLEGE TRUST MANAGEMENT ACCOUNT

Per RCW 79.64.090, the revenue on Agricultural College trust lands is distributed 100 percent to the agricultural college permanent fund or WSU bond retirement account. The management of the agricultural college trust lands is funded from the Agricultural College Trust Management Account. This account depends on legislative appropriation for funding. Currently the legislature appropriates the money for this purpose from General Fund under a proviso. For fiscal year 2006 the total interfund transfer from General Fund was \$972,000.

6 OFF-ROAD VEHICLE (ORV) ACCOUNT

This fund provides for acquisition, planning, development, maintenance and management of ORV recreation facilities; non-highway roads and non-highway road recreation facilities; education and law enforcement programs related to non-highway vehicles; and construction and maintenance of campgrounds and trailheads.

DNR, the Department of Fish and Wildlife, and the Parks and Recreation Commission spend from the fund in support of these functions. The Department of Licensing collects revenue for the fund from taxes, licenses, permits and fees. DNR administers the fund according to Legislative appropriations. The following is the fund total fiscal activity for fiscal year 2006:

Beginning Balance		\$614,699
Revenue:		
Licensing		2,194,992
Expenditures:		
Natural Resources	\$(1,663,602)	
Parks and Recreation	(121,345)	
Fish and Wildlife	(287,025)	
Expenditure Subtotal		(2,071,972)
Net Fiscal Activity		123,020
Ending Balance		\$737,718

7 AQUATIC LANDS ENHANCEMENT ACCOUNT

This fund provides for the purchase, improvement and protection of aquatic lands for public purposes. DNR, the Department of Fish and Wildlife, the Department of Agriculture, the Parks and Recreation Commission, Department of Health and the Interagency Committee for Outdoor Recreation spend from the fund for these purposes. DNR administers this fund, and only the DNR fiscal activity is reported on the Department Administered Funds section of the annual report (page 28).

The following is the total fund fiscal activity for fiscal year 2006:

Beginning Balance		\$8,600,265
Revenue:		
Natural Resources	\$10,978,495	
Distribution to Fourth Class Towns	(46,414)	
Revenue Subtotal		10,932,082
Expenditures:		
Natural Resources	(2,795,085)	
Fish and Wildlife	(2,918,882)	
Parks and Recreation	(173,000)	
Agriculture	(1,153,290)	
Interagency Comm. for Outdoor Rec.	(2,054,142)	
Health	(18,791)	
Expenditure Subtotal		(9,113,189)
Net Fiscal Activity		1,818,892
Ending Balance		\$10,419,157

*Expenditures for other agencies include Operating Transfers, if any.

8 DERELICT VESSEL REMOVAL ACCOUNT

This fund provides for costs and reimbursements to authorized public entities for the removal of derelict and abandoned vessels. DNR spends from the fund for these purposes and the Department of Licensing spends from the account for the purpose of administering the collection of revenue for the fund. DNR administers this fund and only the DNR fiscal activity is reported on the Department Administered Funds section of the annual report (page 28).

The following is the total fund fiscal activity for FY 2006:

Beginning Balance		\$714,947
Revenue:		
Licensing	\$564,811	
Revenue Subtotal		564,811
Expenditures:		
Natural Resources	(298,017)	
Licensing	0	
Expenditure Subtotal		(298,017)
Net Fiscal Activity		266,794
Ending Balance		\$981,740

*Expenditures for other agencies include Operating Transfers, if any.

9 FDA/RMCA LOAN REPAYMENT

The Board of Natural Resources resolution #635 in 1990 and #756 in 1992 authorized settlement of the FDA debt to the RMCA by transferring timber-cutting rights on State Forest Purchase lands to the Common School, Capitol Building, Normal School, and University granted trusts. A one-third interest in assets (timber cutting rights) of the FDA on 35,655 acres was transferred to these trusts. The value of these transfers eliminated the debt between FDA and RMCA.

A total of \$3,313,709 was distributed to the trusts from timber harvested during fiscal year 2006. The RMCA received \$828,427 from this activity. Since this is repayment of a loan, the transactions are recorded as an operating transfer rather than current period revenue.

The values from the harvest activity by fund as well as RMCA trust for fiscal year 2006 and in total since the adoption of resolution #635 in 1990 are:

	FY 2006	Total-to-date
Common School Construction Account	\$941,521	\$16,399,269
Capitol Building Construction Account	358,908	6,251,402
Normal School Permanent Account	1,148,987	20,011,313
State University Permanent Account	35,956	9,319,743
Total Trust Funds	\$2,485,372	\$51,981,727

Resource Management Cost Account

Common School Trust	\$314,167	\$5,461,953
Capitol Building Trust	119,854	2,084,169
Normal School Trust	382,421	6,648,345
University School Trust	11,985	3,106,581
Total RMCA	\$828,427	\$17,301,048

10 OPERATING TRANSFERS

According to the Office of Financial Management's interpretation of generally accepted accounting principles, debt service funds (funds used to pay off debts), such as the UW or WSU Bond Retirement accounts, cannot receive revenue directly. Instead, revenue to these two funds are recorded to the respective permanent funds, and then an operating transfer is made to the appropriate debt service fund.

11 TRUST FUNDS – CURRENT AND PERMANENT

Trust Current Funds are funds that individual trust beneficiaries can draw from. Trust Permanent Funds are endowments, which generate interest that can be transferred to the Current Funds.

12 NATURAL RESOURCES EQUIPMENT ACCOUNT

Total other fiscal activity does not include funds classified as internal service funds. The Natural Resources Equipment Account is the Department's only internal service fund. This fund is used to maintain, replace and provide equipment to the Department's programs on a rental basis. In 2006, this fund had revenue of \$14,662,220 and expenses of \$17,785,305.

13 RMCA PORTION OF TRUST LAND REVENUES

Per Board resolution #1165, the Resource Management Cost Account receives 30 percent on most transactions, and the trusts receive 70 percent of revenue from trust lands. However, some transactions are subject to different distribution ratios. These transactions include aquatic resources, miscellaneous non-trust revenue, interest earnings, land sales transactions and interfund loan repayment, the latter of which affects the Common School, University, Capitol Building and Normal School trusts.

The tables below reflect trust activity with Forest Board Repayment activity. Refer to footnote #17 for trust activity related to University Trust.

COMMON SCHOOL / ESCHEAT TRUST

Source / Activity	Total Revenue	Com. Sch. Construct.	Com. Sch. Perman.	RMCA
<u>Trust Activity</u>				
Timber sales	69,906,373	48,886,498	\$0	21,019,875
Timber sales-related	166,839	118,432	0	48,407
Leases	21,640,916	14,352,571	321,274	6,967,071
Late interest	27,269	12,647	0	14,622
Fees/service charges	129,373	1,278	0	128,095
Operating transfer - in	1,255,688	941,521	0	314,167
Subtotal	93,126,458	64,312,947	321,274	28,492,237
Forest Board Repayment				
Sales	1,032,315	0	0	1,032,315
Operating transfer - out	(1,255,688)	0	0	(1,255,688)
Total trust activity	92,903,085	64,312,947	321,274	28,268,864
<u>Non-Trust Activity</u>				
STO interest	650,421	115,179	0	535,242
Land sales/trust land transfer	30,476,998	11,311,000	0	19,165,998
Other Revenue	(183,970)	0	150,057	(334,027)
Total non-trust activity	30,943,449	11,426,179	150,057	19,367,213
TOTAL	\$123,846,534	\$75,739,126	\$471,331	\$47,636,077

CAPITOL BUILDING TRUST

Source / Activity	Total Revenue	Cap. Bldg. Construction	RMCA
<u>Trust Activity</u>			
Timber sales	9,274,997	6,531,909	2,743,088
Timber sales-related	427	296	131
Leases	171,672	119,531	52,141
Late interest	48	13	35
Fees/service charges	71	0	71
Operating transfer – in	478,762	358,908	119,854
Subtotal	9,925,977	7,010,657	2,915,320
Forest Board Repayment			
Sales	393,595	0	393,595
Operating transfer – out	(478,762)	0	(478,762)
Total trust activity	9,840,810	7,010,657	2,830,153
<u>Non-Trust Activity</u>			
STO interest	132,084	10,286	121,798
Other Revenue	(20,555)	0	(20,555)
Total non-trust activity	111,529	10,286	101,243
TOTAL	\$9,952,339	\$7,020,943	\$2,931,396

NORMAL SCHOOL TRUST

Source / Activity	Total Revenue	Capital Projects	Normal School Perman.	RMCA
<u>Trust Activity</u>				
Timber sales	2,978,215	\$0	2,108,386	869,829
Timber sales-related	600	0	406	194
Leases	121,846	83,144	2,070	36,632
Late interest	5	4	0	1
Fees/service charges	106	0	0	106
Operating transfer – in	1,531,318	0	1,148,897	382,421
Subtotal	4,632,090	83,148	3,259,759	1,289,183
Forest Board Repayment				
Sales	1,258,914	0	0	1,258,914
Operating transfer – out	(1,531,319)	0	0	(1,531,319)
Total trust activity	4,359,685	83,148	3,259,759	1,016,778
<u>Non-Trust Activity</u>				
STO interest	72,383	2,093	0	70,290
Land sales/trust land transfer	0	0	0	0
Other Revenue	(7,570)	0	0	(7,570)
Total non-trust activity	64,813	2,093	0	62,720
TOTAL	\$4,424,498	\$85,241	\$3,259,759	\$1,079,498

14 NON-TRUST REVENUE

Non-trust revenue cannot be attributed to a specific trust. Activities include forest road assessments, miscellaneous services, manuals & publications, prior period recoveries and adjustments, application fees, and interest income.

15 NEGATIVE TRUST REVENUE

Any negative revenue reflects accounting adjustments (such as bad-debt write-offs, credit memos) from a prior fiscal year.

16 TREASURER'S REVENUE

Due to the schedule for distributing revenue, revenue from State Forest Lands may earn interest before it is distributed to the appropriate county. Interest earnings cannot be attributed specifically to Transfer Lands or Purchase Lands. This revenue is accounted for as treasurer's revenue and is distributed to the appropriate county.

17 UNIVERSITY TRUST — ORIGINAL, TRANSFERRED, REPAYMENT

The accounting for the University Trust combines activity from original University trust lands, lands which have been transferred to the trust, and the University Trust's share of interfund loan repayment as described in footnote #9.

The following is a breakdown of the different elements contributing to the information for University Grants.

Trust Source/Activity	Total	Bond Retirement	University Permanent	RMCA
University - Transferred				
Timber sales	2,608,157	\$0	1,825,710	782,447
Timber sales-related	0	0	0	0
Leases	248,533	0	173,723	74,810
Miscellaneous – trespass	176	0	123	53
Late interest	20	0	14	6
Sale of property – other	72	0	0	72
Fees/service charges	2,145	0	0	2,145
Operating transfer – in	2,282,813	2,234,872	35,956	11,985
Operating transfer – out	(2,234,872)	0	(2,234,872)	0
Total	\$2,907,044	\$2,234,872	(199,346)	\$871,518
University – Original				
Timber sales	\$ 941,248	\$0	\$ 658,873	\$ 282,375
Leases	105,468	0	73,396	32,072
Fines and forfeits	0	0	0	0
Late interest	0	0	0	0
Operating transfer – in	74,270	74,270	0	0
Operating transfer – out	(74,270)	0	(74,270)	0
Total	\$1,046,716	\$74,270	\$657,999	\$314,447
University Repayment				
Timber sales	\$ 47,942	\$0	\$0	47,942
Operating transfer – out	(47,942)	0	0	(47,942)
Total	\$0	\$0	\$0	\$0
Non-trust allocation				
STO interest	\$ 51,277	\$4,170	\$0	\$47,107
Non-trust revenue allocation	(8,586)	0	0	(8,586)
Total	\$42,691	\$4,170	\$0	\$38,521
TOTAL	\$3,996,451	\$2,313,312	\$458,653	\$1,224,486

18 UNDERSTATED REVENUE

Distribution of revenue from Special Use leases to the Common School Construction Account is understated by \$568,000 because of adjustments to FY 2005 revenue. Revenue and distribution figures (e.g., totals, subtotals) that include the revenue distributed to that account are also understated by the same amount.

19 ADJUSTMENTS DUE TO REVENUE SYSTEM CONVERSION

In March 2006, DNR implemented a new revenue accounting system. Some system conversion issues resulted in revenue distribution differences between the agency's internal system and AFRS (the state's official system). The values reported represent two internal systems in use during fiscal year 2006 and reflect DNR's actual revenue activity for fiscal year 2006. The adjustments are the amounts required to reconcile actual DNR revenue with the revenue amounts reported in the state's financial system. These adjustment amounts reflect corrections that must be made to the revenue numbers in AFRS. AFRS will be corrected in fiscal year 2007.

20 State Trust Lands Management Fund Accounting Report**STATUTORY AUTHORITY AND REQUIREMENTS**

Subject to legislative appropriation, the Department of Natural Resources is authorized by RCW's 76.12.110 and 79.64.030 to use funds from the Resource Management Cost Account (RMCA) and Forest Development Account (FDA) interchangeably in the management of State Grant Lands and State Forest Lands. The law also states, however, that an annual accounting will be kept of payments made by one fund on behalf of another. For example when RMCA funds are used to pay for activities on State Forest Land, it shall be considered a debt against the FDA. RCW 79.64.030 also requires that the results of the accounting be reported to the legislature at the next regular session.

ACCOUNTING PROCEDURES

Beginning with fiscal year 1996, the following Cost Allocation System accounting procedures have been used to calculate any debt or loan between the management funds:

A. All operating program expenditures that can be determined to benefit a particular land category are directly charged to that land category.

B. Expenditures for the majority of the department's operating programs for which the benefiting land category cannot be determined (indirect expenditures) are allocated to land categories based on staff month percentages derived from personnel time charged directly to those land categories or by Western Washington forested acres.

C. Capital outlay expenditures that benefit particular land categories are determined in advance then charged by land category in the ratio set by appropriations.

D. Agency Administration and Support costs are allocated to land category based on Agency work plans for the year as established during the budget process.

E. Direct charges and indirect charges are totaled by land category within the Cost Allocation System. Expenditures paid from the RMCA and FDA accounts are compared to these total charges for Grant Lands and State Forest Lands to determine how much of the charges were paid from one account on behalf of the other. If RMCA funds were used to pay State Forest charges, a debt principal is incurred in that amount. If State Forest funds were used to pay RMCA charges, the debt principal is reduced by that amount. Funding adjustments may be made periodically during the fiscal year to align expenditures by fund with total charges for Grant Lands and State Forest Lands to prevent the accumulation of any new debt in the year.

F. As required by law, interest is charged on the debt incurred. A full year's interest is charged on cumulative debt carried from the previous year. One half year's interest is calculated on the change in the debt principal occurring during the current year.

G. Cumulative debt from the preceding year, plus new principal and interest charges are totaled to determine the new cumulative debt.

RMCA/FDA DEBT/LOAN ACCOUNTING FOR FISCAL YEAR 2006

	Grant Lands	State Forest Lands*
2006 Trust Charges	\$41,003,272	\$23,895,867
RMCA Expenditures	41,003,272	—
FDA Expenditures	—	\$23,895,867
Cumulative Debt/Loan	0	0

FISCAL YEAR 2006 MANAGEMENT FUND DEBT STATUS

As of June 30, 2006, no debt exists between the State Forest Lands (Forest Development Account) and the Grant Lands (Resource Management Cost Account).

*Formerly known as Forest Board lands.

Total Revenue and Expenditures

● DNR's expenditures reflect the department's diverse work. Land management activities, funded by trust land revenue, are investments in the long-term benefits and productivity of the resources. Other activities, funded by non-trust revenue sources, support regulatory, assistance and resource protection programs, as well as agency operations.

Capital expenditures include land acquisitions on behalf of state trusts and Natural Areas.

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REVENUE BY SOURCE ¹	FY 2006	FY 2005
Sales		
Timber sale removals	\$215,711	\$211,128
Timber sale-related activities	437	540
Forest road assessments	12,017	13,964
Nursery seedling sales	2,579	2,800
Miscellaneous	340	456
	<u>\$231,084</u>	<u>\$228,887</u>
Leases		
Agriculture	\$9,592	\$9,096
Aquatic	17,825	16,760
Commercial real estate	8,424	8,190
Mineral and hydrocarbon	4,429	1,789
Communication sites	2,802	3,223
Rights-of-way	1,547	1,316
Miscellaneous ¹⁸	984	1,865
	<u>\$45,602</u>	<u>\$42,239</u>
Other Revenue		
Interest income	\$2,741	\$1,283
Fire assessments and cost reimbursement	9,361	9,740
Grants and contributions	14,195	17,194
Permits, fees, and related charges	3,272	3,258
Miscellaneous	2,405	1,766
	<u>\$31,975</u>	<u>\$33,241</u>
Total Revenue from Operations	<u>\$308,660</u>	<u>\$304,367</u>
Other Activity		
Land transfers ³	\$13,069	\$46,250
Land bank ⁴	18,966	5,494
	<u>\$32,035</u>	<u>\$51,744</u>
Adjustments¹⁹	<u>\$298</u>	<u>N/A</u>
Total Revenue^{18, 19}	<u>\$340,994</u>	<u>\$356,111</u>

DID YOU KNOW?

Like a business, DNR generates revenue, and most of it goes to state trust beneficiaries.

Revenues are shown for two years for comparison. Differences between the years reflect changes in market conditions, legal requirements, availability of resources, and other factors.

Amounts are reported in thousands of dollars. Totals may not add due to rounding.

See fiscal notes, pages 22-25

Total Revenue and Expenditures (Continued)

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EXPENDITURES BY PROGRAM ²	FY 2006	FY 2005
Operating		
Agricultural resources	\$2,238	\$1,494
Asset management & protection	8,256	7,579
Product sales & leasing	30,594	18,426
Land management	17,718	16,227
Aquatic resources*	8,602	12,978
Administration	3,666	3,336
Interagency payments	9,360	8,698
Agency support	18,282	17,579
Geologic resources	1,973	2,043
Forest practices & federal assurances	9,957	9,929
Engineering services	14,178	12,777
Resource protection	19,615	19,607
Fire suppression	21,980	17,986
	<u>\$166,420</u>	<u>\$148,661</u>
Capital		
Radio system upgrade	\$0	\$1,041
Recreation	337	323
Aquatic resources projects	6	46
Real estate and property acquisition	20,367	52,158
Facilities	9,557	5,214
Small timber landowner program	3,241	1,907
Miscellaneous	500	1,362
	<u>\$34,007</u>	<u>\$62,051</u>
Total Expenditures	<u>\$200,427</u>	<u>\$210,711</u>

DID YOU KNOW?**DNR is largely self-supporting.****More than 2/3 of its operating costs are funded by revenue the agency brings in.**

Expenditures are shown for two years for comparison. Differences between the years reflect changes in the programs, legal requirements, salaries and benefits, inflation, and other factors.

* FY 2005 Aquatic Resources expenditures include one-time settlement costs for contaminated sediment cleanup.

Amounts are reported in thousands of dollars. Totals may not add due to rounding.

See fiscal notes, pages 22-25

Fiscal Activity by Fund

● DNR's fiscal activity includes generating revenue for a variety of funds and accounts, some of which benefit state trust beneficiaries and some of which fund state programs, including DNR's own. DNR's fiscal activity also includes expenditures supporting its work.

Some of the accounts that receive revenue from DNR or that fund DNR's expenditures are managed by DNR; others are managed by other agencies.

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DNR-ADMINISTERED FUNDS

Fund Title	Beginning Balance 7/1/05	Revenue	DNR Expenditure	Ending Balance 6/30/06
Trust Management Accounts*				
Forest development (FDA)	\$32,495	\$22,810	\$(23,896)	\$31,409
Resource management (RMCA)**	17,539	66,855	(41,003)	43,391
Agricultural college (ACTMA)	138	973	(1,090)	20
	<u>\$50,172</u>	<u>\$90,638</u>	<u>\$(65,989)</u>	<u>\$74,821</u>
Other DNR-Administered Funds				
Access road revolving	\$7,964	\$12,059	\$(11,439)	\$8,584
Aquatic lands dredged material	902	651	(373)	1,180
Aquatic lands enhancement ⁷	N/A	10,978	(2,795)	N/A
Clarke-McNary	241	4,316	(5,032)	(474)
Conservation areas stewardship	112	96	(0)	208
Contract harvesting revolving	436	13,767	(13,228)	976
Derelict vessel removal ⁸	N/A	0	(298)	N/A
Forest fire protection assessments	3,805	8,840	(7,185)	5,460
Landowner contingency forest fire	6,465	17	(3,396)	3,086
Off-road vehicle ⁶	N/A	2	(1,664)	N/A
Park land trust revolving	8,733	148	(8,557)	324
Real property replacement ³	23,544	2,281	(3,140)	22,685
School construction revolving	52	2	0	54
State forest nursery revolving	1,595	2,585	(2,750)	1,430
Surface mining reclamation	344	965	(1,272)	37
Surveys and maps	1,376	1,150	(828)	1,698
	<u>\$55,569</u>	<u>\$57,858</u>	<u>\$(61,956)</u>	<u>\$45,248</u>
Total DNR-Administered Funds	<u>\$105,741</u>	<u>\$148,496</u>	<u>\$(127,946)</u>	<u>\$120,068</u>

Amounts are reported in thousands of dollars.

Totals may not add due to rounding.

N/A = not applicable

* These accounts fund DNR's management of state trust lands. Revenue may be carried over from year to year. As a result, any given year's expenditures do not necessarily correlate to that year's revenue. See pages 30, 32, 40, 42, and 44 for more detailed accounting. FDA and RMCA are funded through revenue generated from the lands whose management they support. ACTMA is not funded through such revenue, but instead, through a legislative appropriation from the State General Fund.

** The RMCA trust balance includes \$26,297,259 dedicated by law (RCW 79.19) to land bank purchases of lands that replace previously sold trust lands.

**See fiscal notes,
pages 22-25**

Fiscal Activity by Fund (Continued)

'06

FUNDS ADMINISTERED BY OTHER ENTITIES

Fund Title	Revenue	DNR Expenditure	Net Fiscal Activity
Trust Current Funds ¹¹			
Common school construction ¹⁸	\$75,137	0	\$75,137
Community college forest reserve*	0	0	0
WSU bond retirement	1,121	0	1,121
UW bond retirement	2,313	0	2,313
CEP&RI	3,784	0	3,784
EWU capital project	21	0	21
CWU capital project	21	0	21
WWU capital project	21	0	21
TESC capital project	21	0	21
Capitol building construction	7,019	0	7,019
Forest board counties	72,750	0	72,750
	<u>\$162,208</u>	<u>0</u>	<u>\$162,208</u>
Trust Permanent Funds ¹¹			
Agricultural college (WSU)	\$4,743	0	\$4,743
Normal school (EWU, CWU, WWU, TESC)	3,254	0	3,254
Common school (K-12)	459	0	459
Scientific (WSU)	5,598	0	5,598
State university (UW)	459	0	459
	<u>\$14,513</u>	<u>0</u>	<u>\$14,513</u>
Other Funds			
General fund	\$15,262	\$(49,259)	\$(33,997)
State building construction	6	(16,166)	(16,160)
Disaster response	0	(5,000)	(5,000)
Motor vehicle	2	0	2
Air pollution control	230	(150)	80
State toxics control	0	(1,138)	(1,138)
State wildlife	272	0	272
Developmental disabilities community trust	5	0	5
Water quality	0	(769)	(769)
	<u>\$15,777</u>	<u>\$(72,482)</u>	<u>\$(56,704)</u>
Total other fiscal activity	<u>\$192,498</u>	<u>\$(72,482)</u>	<u>\$120,016</u>
Total all funds and activity^{12, 18, 19} (pages 28 & 29)	<u>\$340,994</u>	<u>\$(200,427)</u>	

* All revenue for the Community College Reserve Trust was generated from leases. DNR expenditures from the fund were to purchase land for the trust.

Amounts are reported in thousands of dollars.

Totals may not add due to rounding.

See fiscal notes,
pages 22-25

Resource Management Cost Account (RMCA) Upland + Aquatic

Revenue, Expenditures and Fund Balance

● The Resource Management Cost Account (RMCA) funds DNR's land management activities on state grant lands. DNR deposits a portion of the revenue it generates from these lands into the account, and the Legislature appropriates funds from the account to DNR for expenditures. The RMCA can be used only for land management expenses (e.g., reforestation, preparing timber sales or managing aquatic leases) that support state grant lands.

'06

Fund Balance (July 1, 2005)	\$17,538,579
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RMCA Revenue	\$66,855,402
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Less: Expenditures ²

Agricultural resources	\$2,199,998
Asset management & protection	2,101,356
Product sales & leasing	10,232,543
Land management	7,177,061
Correctional Camps	87,578
Administration	726,790
Interagency payments	3,790,306
Agency support	6,363,179
Aquatic resources	4,745,983
Engineering services	2,428,727
<hr/>	
Total operating expenditures	\$39,853,521
Total capital expenditures	1,149,755

Total expenditures and other charges	<u>41,003,275</u>
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RMCA Fund Balance (June 30, 2006)*	<u>\$43,390,706</u>
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Totals may not add due to rounding.

* The RMCA trust balance includes \$26,297,259 dedicated by law (RCW 79.19) to land bank purchases of lands that replace previously sold trust lands.

See fiscal notes, pages 22-25

State Grant Lands Upland + Aquatic

Revenue and Distribution

● State grant lands (upland and aquatic) were granted to Washington at statehood by the federal government. Each upland parcel is assigned to a specific state trust dedicated to financially supporting a specific beneficiary (e.g., the Common School Trust supports construction of K-12 schools). The aquatic lands are designated as a public trust to benefit the public as a whole. Income from state grant lands is divided among trust beneficiary accounts and the RMCA, which DNR uses to manage the lands.

'06

REVENUE		DISTRIBUTION		
	Grand Total All Funds	Trust Current Funds ¹¹	Trust Permanent Funds ¹¹	Resource Management Cost Account ¹³
Sales				
Timber sales ^{9, 13, 17}	\$106,092,821	\$59,648,538	\$16,199,279	\$30,245,004
Timber sales-related activities ¹	300,578	118,740	97,499	84,339
Trust land transfer program ³	11,511,000	11,311,000	0	200,000
Land sales (includes land bank) ⁴	18,965,998	0	0	18,965,998
	\$136,870,397	\$71,078,278	\$16,296,778	\$49,495,341
Leases				
Agriculture				
Dryland	\$3,132,445	\$1,893,325	\$317,119	\$922,001
Irrigated	5,798,354	3,821,069	202,624	1,774,662
Grazing and other	635,353	422,609	19,653	193,091
Aquatic lands	17,824,954	10,285,695	0	7,539,259
Special use ¹⁸	257,239	(38,836)	47,107	248,968
Commercial real estate	8,418,666	5,686,610	77,351	2,654,706
Mineral and hydrocarbon	3,929,458	2,386,480	156,542	1,386,436
Rights-of-way	1,512,310	674,437	235,289	602,584
Communication sites	2,147,887	1,102,777	400,050	645,060
Special forest products	394,196	256,202	11,691	126,303
	\$44,050,863	\$26,490,368	\$1,467,425	\$16,093,070
Other Revenue				
Interest income	\$1,346,787	\$191,631	\$4,224	\$1,150,932
Non-trust revenue ¹⁴	(461,862)	0	0	(461,862)
Operating transfer ^{1, 10}	(580,945)	3,424,603	(3,424,603)	(580,945)
Permits, fees, and miscellaneous ¹	323,414	3,131	150,057	170,226
	\$627,394	\$3,619,365	\$(3,270,322)	\$278,351
Adjustments ¹⁹	244,648	(752,205)	8,213	988,640
Total Revenue ^{18, 19}	\$181,793,303	\$100,435,806	\$14,502,095	\$66,855,402

Totals may not add due to rounding.

See fiscal notes, pages 22-25

Resource Management Cost Account (RMCA) Upland

Revenue, Expenditures and Fund Balance

● This portion of the RMCA supports the land management of upland state grant lands, each of which supports a specific, designated beneficiary.

'06

	Granted Trusts	Land Bank*	Total Uplands
Fund Balance (July 1, 2005)	\$8,081,188	\$7,280,082	\$15,361,270
RMCA Revenue	39,277,265	19,017,177	\$58,294,442
Less: Expenditures			
Agricultural resources	2,199,998	0	2,199,998
Asset management & protection	2,065,461	0	2,065,461
Product sales & leasing	10,232,543	0	10,232,543
Land management	7,177,061	0	7,177,061
Correctional camps	87,578	0	87,578
Administration	726,790	0	726,790
Interagency payments	2,981,631	0	2,981,631
Agency support	4,190,264	0	4,190,264
Engineering services	2,045,518	0	2,045,518
Total operating expenditures	31,706,844	0	31,706,844
Total capital expenditures	1,149,755	0	1,149,755
Total expenditures and other charges	<u>32,856,599</u>	<u>0</u>	<u>32,856,599</u>
RMCA Fund Balance (June 30, 2006)	<u>\$14,501,854</u>	<u>\$26,297,259</u>	<u>\$40,799,113</u>

Totals may not add due to rounding.

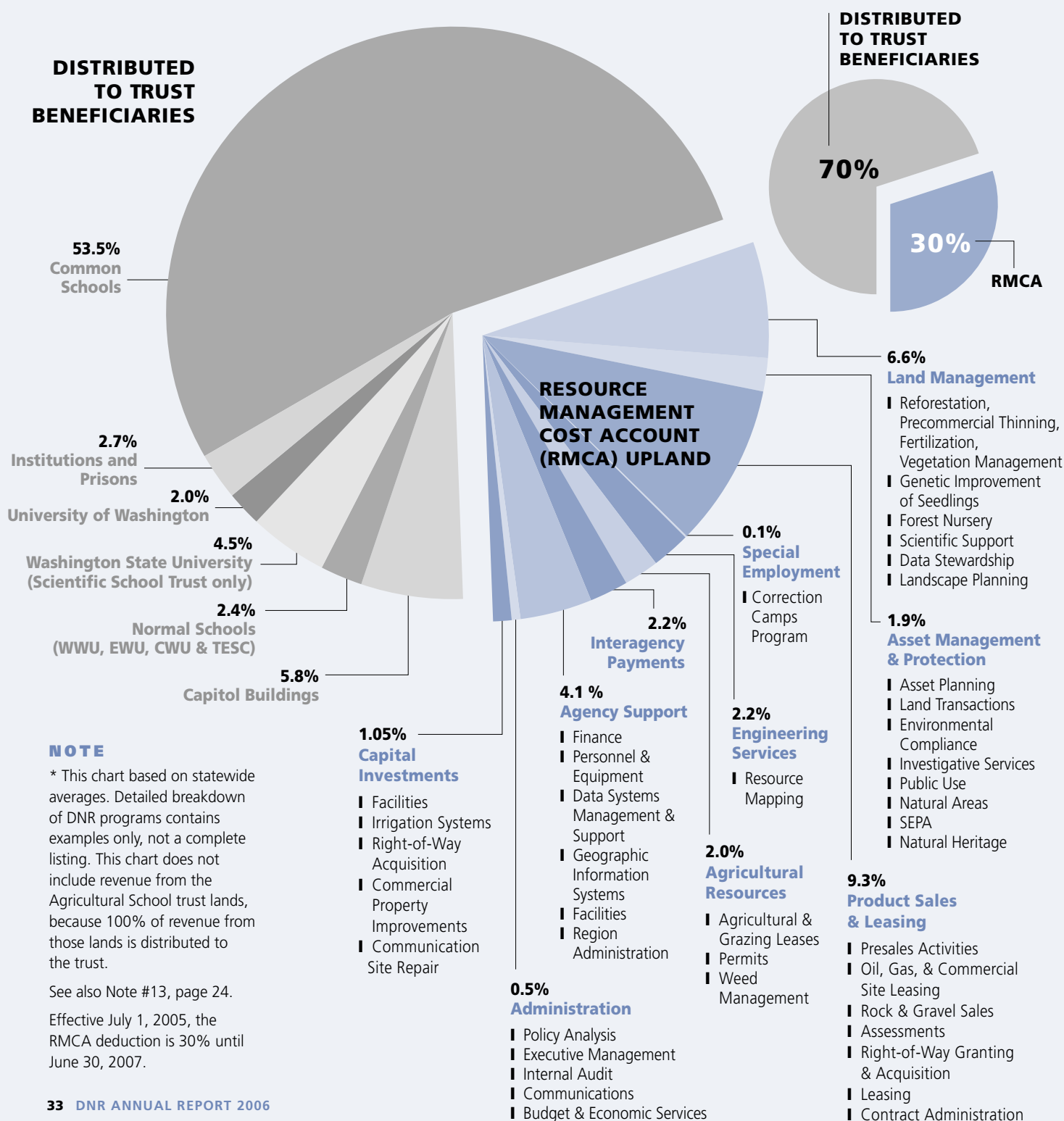
* Land bank revenue is dedicated by law (RCW 79.19) to purchases of lands that replace previously sold trust lands.

See fiscal notes, pages 22-25

General* Distribution of Revenue from Upland State Grant Lands

● Generally, by law, each beneficiary of the upland state grant land trusts receives 70% of the revenue earned from its lands, and the remaining 30% goes to the RMCA to fund DNR's management of the lands. This chart shows the combined distribution, with each trust beneficiary's share proportional

to its share of the total revenue earned, and with the RMCA share divided among DNR's expenditures from the account for upland management activities. Expenditures are appropriated by the Legislature and are ongoing investments to keep the lands productive and to generate future income for the trusts.



Common School, Indemnity and Escheat Grants

Revenue and Distribution

Income from these state grant lands and escheat lands (those with no known heirs) supports construction of state public kindergarten through 12th grade schools.

The beneficiary's share of income is distributed to the Common School Construction Account and the Common School Permanent Account, which generates perpetual interest for the support of school construction. This distribution varies by activity and is governed by law.

'06

REVENUE		DISTRIBUTION		
Source	Total Funds	Common School Construction	Common School Permanent	Resource Management Cost Account ¹³
Sales				
Timber sales ^{9, 13}	\$71,162,051	\$49,828,019	0	\$21,334,032
Timber sales-related activities ¹	166,839	118,432	0	48,407
Trust land transfer program ³	11,511,000	11,311,000	0	200,000
Land sales (includes land bank) ⁴	18,965,998	0	0	18,965,998
	\$101,805,888	\$61,257,451	\$ 0	\$40,548,437
Leases				
Agriculture				
Dryland	\$2,372,336	\$1,656,782	0	\$715,554
Irrigated	5,499,095	3,807,192	0	1,691,903
Grazing and other	594,398	411,850	0	182,548
Aquatic Lands	0	0	0	0
Special use ¹⁸	158,234	(60,866)	0	219,100
Commercial real estate	8,286,978	5,670,651	0	2,616,328
Mineral and hydrocarbon	2,485,862	1,506,840	107,129	871,893
Rights-of-way	453,461	130,346	214,145	108,970
Communication sites	1,442,822	989,254	0	453,568
Special forest products	347,729	240,522	0	107,207
	\$21,640,916	\$14,352,571	\$321,274	\$6,967,071
Other Revenue				
Interest income	\$677,690	\$127,826	0	\$549,864
Non-trust revenue ^{14, 15}	(334,027)	0	0	(334,027)
Operating transfer ¹	(223,373)	0	0	(223,373)
Permits, fees, and miscellaneous ¹	279,441	1,278	150,057	128,106
	\$399,731	\$129,104	\$150,057	\$120,570
Adjustments¹⁹	193,231	(602,494)	(12,110)	807,834
Total Revenue^{18, 19}	\$124,039,766	\$75,136,633	\$459,221	\$48,443,912

Totals may not add due to rounding.

See fiscal notes, pages 22-25

University Grants (UW) Original and Transferred

Revenue and Distribution

Income from these state grant lands supports construction of buildings for the University of Washington. Some of these lands were acquired at the time of statehood, and some lands were transferred to this trust from the CEP&RI trust by the Legislature in 1893. The beneficiary's share of income is distributed to the University Permanent and UW Bond Retirement accounts. This distribution varies by activity and is governed by law.

'06

REVENUE		DISTRIBUTION		
Source	Total Funds	UW Bond Retirement	State (UW) University Permanent	Resource Management Cost Account ¹³
Sales				
Timber sales ¹⁷	\$3,597,346	0	\$2,520,539	\$1,076,807
Timber sales-related activities ¹	176	0	123	53
Land sales (includes land bank)	0	0	0	0
	\$3,597,522	\$ 0	\$2,520,662	\$1,076,860
Leases				
Agriculture				
Dryland	\$194,862	0	\$136,389	\$58,473
Irrigated	0	0	0	0
Grazing and other	15,802	0	10,865	4,937
Aquatic lands	0	0	0	0
Special use	1,700	0	1,190	510
Commercial real estate	103,472	0	71,999	31,473
Mineral and hydrocarbon	8,000	0	5,600	2,400
Rights-of-way	18,690	0	13,083	5,607
Communication sites	0	0	0	0
Special forest products	11,475	0	7,993	3,482
	\$354,001	\$ 0	\$247,119	\$106,882
Other Revenue				
Interest income	\$51,296	\$4,169	\$14	\$47,113
Non-trust revenue ^{14, 15}	(8,586)	0	0	(8,586)
Operating transfer ^{1, 10}	0	2,309,142	(2,309,142)	0
Permits, fees, and miscellaneous ¹	2,217	0	0	2,217
	\$44,927	\$2,313,311	\$(2,309,128)	\$40,744
Total Revenue	\$3,996,450	\$2,313,311	\$458,653	\$1,224,486

Totals may not add due to rounding.

See fiscal notes, pages 22-25

Charitable, Educational, Penal and Reformatory Institutions Grant (CEP&RI)

Revenue and Distribution

Income from these state grant lands is used to establish and maintain institutions managed by the Department of Corrections (such as prisons) and the Department of Social and Health Services (such as Western State Hospital). The beneficiary's share of income is distributed to the CEP&RI Account.

'06

REVENUE		DISTRIBUTION	
Source	Total Funds	CEP&RI Account	Resource Management Cost Account ¹³
Sales			
Timber sales	\$4,217,785	\$2,929,702	\$1,288,083
Timber sales-related activities ¹	63	12	51
Land sales (includes land bank)	0	0	0
	\$4,217,848	\$2,929,714	\$1,288,134
Leases			
Agriculture			
Dryland	\$245,763	\$169,949	\$75,814
Irrigated	780	0	780
Grazing and other	7,738	5,245	2,493
Aquatic lands	0	0	0
Special use	5,543	3,880	1,663
Commercial real estate	11,150	7,759	3,391
Mineral and hydrocarbon	814,664	570,265	244,399
Rights-of-way	11,433	8,003	3,430
Communication sites	122,070	81,796	40,274
Special forest products	4,749	918	3,831
	\$1,223,890	\$847,815	\$376,075
Other Revenue			
Interest income	\$76,125	\$9,640	\$66,485
Non-trust revenue ^{14, 15}	(12,058)	0	(12,058)
Operating transfer	0	0	0
Permits, fees, and miscellaneous ¹	1,014	0	1,014
	\$65,081	\$9,640	\$55,441
Adjustments ¹⁹	2,204	(3,213)	5,417
Total Revenue	\$5,509,023	\$3,783,957	\$1,725,066

Totals may not add due to rounding.

See fiscal notes, pages 22-25

Capitol Building Grant

Revenue and Distribution

Income from these state grant lands supports construction of state government office buildings at the Capitol Campus in Olympia.

The beneficiary's share of income is distributed to the Capitol Building Construction Account.

'06

REVENUE		DISTRIBUTION	
Total Revenue and Distribution	Total Funds	Capitol Building Construction	Resource Management Cost Account ¹³
Sales			
Timber sale	\$9,753,755	\$6,890,817	\$2,862,938
Timber sales-related activities ¹	427	296	131
Land sales (includes land bank)	0	0	0
	\$9,754,182	\$6,891,113	\$2,863,069
Leases			
Agriculture			
Dryland	\$54,860	\$38,402	\$16,458
Irrigated	0	0	0
Grazing and other	3,300	2,310	990
Aquatic lands	0	0	0
Special use	18,967	13,255	5,712
Commercial real estate	11,714	8,200	3,514
Mineral and hydrocarbon	19,580	13,706	5,874
Rights-of-way	6,012	4,122	1,890
Communication sites	46,033	31,727	14,306
Special forest products	11,207	7,810	3,397
	\$171,672	\$119,531	\$52,141
Other Revenue			
Interest income	\$132,132	\$10,299	\$121,833
Non-trust revenue ^{14, 15}	(20,555)	0	(20,555)
Operating transfer ¹	(85,167)	0	(85,167)
Permits, fees, and miscellaneous ^{1, 15}	75	0	75
	\$26,485	\$10,299	\$16,186
Adjustments¹⁹	857	(2,255)	3,112
Total Revenue	\$9,953,196	\$7,018,688	\$2,934,508

Totals may not add due to rounding.

See fiscal notes, pages 22-25



SUPPORTING CAPITOL CAMPUS PROJECTS

Funds from Capitol Building Grant lands are dedicated to the support of construction and renovation projects on the Capitol Campus—projects like Heritage Park. Completed in the fall of 2006, the park provides recreation and flood protection, while linking the Capitol Campus to Olympia's historic downtown.

Normal School Grant (EWU, CWU, WWU and TESC)

Revenue and Distribution

● Income from these state grant lands supports construction at Eastern Washington University, Central Washington University and Western Washington University (regional universities). These three universities were originally called 'normal schools.' The Evergreen State College was added to this trust by the Legislature to begin receiving revenue after July 1, 1995.

The beneficiary's share of income is distributed to the Normal School Permanent Account and capital project accounts for each university. This distribution varies by activity and is governed by law.

'06

REVENUE		DISTRIBUTION		
Source	Total Funds	EWU, CWU WWU, TESC Capital Projects	Normal School Permanent	Resource Management Cost Account ¹³
Sales				
Timber sales ^{9, 13}	\$4,509,520	0	\$3,257,283	\$1,252,237
Timber sales-related activities ¹	600	0	406	194
Land sales (includes land bank) ⁴	0	0	0	0
	<u>\$4,510,120</u>	<u>0</u>	<u>\$3,257,689</u>	<u>\$1,252,431</u>
Leases				
Agriculture				
Dryland	\$40,274	\$28,192	0	\$ 12,082
Irrigated	20,040	13,876	0	6,164
Grazing and other	4,599	3,204	0	1,395
Aquatic lands	0	0	0	0
Special use	6,779	4,896	0	1,883
Commercial real estate	0	0	0	0
Mineral and hydrocarbon	39,362	26,024	1,470	11,868
Rights-of-way	857	0	600	257
Communication sites	0	0	0	0
Special forest products	9,935	6,952	0	2,983
	<u>\$121,846</u>	<u>\$83,144</u>	<u>\$2,070</u>	<u>\$36,632</u>
Other Revenue				
Interest income	\$72,388	\$2,097	0	\$70,291
Non-trust revenue ^{14, 15}	(7,570)	0	0	(7,570)
Operating transfer ¹	(272,405)	0	0	(272,405)
Permits, fees, and miscellaneous ¹	119	0	0	119
	<u>\$(207,468)</u>	<u>\$2,097</u>	<u>0</u>	<u>\$(209,565)</u>
Adjustments ¹⁹	(736)	(1,036)	(5,901)	6,201
Total Revenue	<u>\$4,423,762</u>	<u>\$84,205</u>	<u>\$3,253,858</u>	<u>\$1,085,699</u>

DID YOU KNOW?

'Normal schools' were teachers colleges. By granting Washington lands to benefit normal schools, the Enabling Act supported Washington in educating not only children, but also the teachers who taught them.

Totals may not add due to rounding.

See fiscal notes, pages 22-25

Scientific School Grant (WSU)

Revenue and Distribution

Income from these state grant lands supports construction of buildings at Washington State University. The beneficiary's share of income is distributed to the Scientific School Permanent and the WSU Bond Retirement accounts. This distribution varies by activity and is governed by law.

'06

REVENUE		DISTRIBUTION		
Source	Total Funds	WSU Bond Retirement	Scientific Permanent	Management Cost Account ¹³
Sales				
Timber sales	\$8,123,874	0	\$5,692,966	\$2,430,908
Timber sales-related activities ¹	86,366	0	50,863	35,503
Land sales (includes land bank)	0	0	0	0
	\$8,210,240	0	\$5,743,829	\$2,466,411
Leases				
Agriculture				
Dryland	\$145,400	0	\$101,780	\$43,620
Irrigated	206,474	0	130,659	75,815
Grazing and other	2,428	0	1,700	728
Aquatic lands	0	0	0	0
Special use	66,017	0	45,917	20,100
Commercial real estate	0	0	0	0
Mineral and hydrocarbon	47,579	0	33,305	14,274
Rights-of-way	7,311	0	5,118	2,193
Communication sites	430,081	0	293,169	136,912
Special forest products	7,761	0	2,358	5,403
	\$913,051	0	\$614,005	\$299,045
Other Revenue				
Interest income	\$122,118	\$7,844	\$2,547	\$111,727
Non-trust revenue ^{14, 15}	(20,051)	0	0	(20,051)
Operating transfer ¹⁰	0	788,116	(788,116)	0
Permits, fees, and miscellaneous ¹	2,329	0	0	2,329
	\$104,396	\$795,960	\$(785,569)	\$94,005
Adjustments ¹⁹	47,350	(510)	26,224	21,636
Total Revenue	\$9,275,037	\$795,450	\$5,598,489	\$2,881,098

Totals may not add due to rounding.

See fiscal notes, pages 22-25

Agricultural College Trust Management Account (ACTMA)

Revenue, Expenditures and Fund Balance

● This account funds DNR's management of the Agricultural College trust lands. The ACTMA is funded through an appropriation from the state General Fund. (As of July 1, 1999, Agricultural College trust lands do not contribute to the RMCA, which supports DNR's management of other state grant lands.)

'06

Trust Balance (July 1, 2005) **\$137,965**

Revenue **535**

Less: Expenditures ²

Agricultural resources	\$42,792
Asset management & protection	46,489
Product sales & leasing	495,639
Land management	196,791
Correctional camps	14,554
Administration	18,703
Interagency payments	47,756
Agency support	93,277
Engineering Services	88,931

Total operating expenditures \$1,044,931

Total capital expenditures 45,348

Total expenditures and other charges 1,090,279

Interfund transfer from General Fund **972,000**

ACTMA Fund Balance (June 30, 2006) **\$20,221**

Totals may not add due to rounding.

See fiscal notes, pages 22-25

Agricultural School Grant (WSU)

Revenue and Distribution

Income from these state grant lands supports construction of Washington State University's buildings. All revenue from these lands is income for the trust, and is divided between the Agricultural College Permanent Account and the WSU Bond Retirement Account. This distribution varies by activity and is governed by law.

'06

REVENUE		DISTRIBUTION	
Source	Total Funds	WSU Bond Retirement	Agricultural College Permanent
Sales			
Timber sales	\$4,728,491	0	\$4,728,491
Timber sales-related activities ¹	46,107	0	46,107
Asset transfer/loan repayment	0	0	0
Land sales (includes land bank)	0	0	0
	\$4,774,598	0	\$4,774,598
Leases			
Agriculture			
Dryland	\$78,950	0	\$78,950
Irrigated	71,965	0	71,965
Grazing and other	7,088	0	7,088
Aquatic lands	0	0	0
Special use	0	0	0
Commercial real estate	5,352	0	5,352
Mineral and hydrocarbon	9,038	0	9,038
Rights-of-way	2,343	0	2,343
Communication sites	106,881	0	106,881
Special forest products	1,340	0	1,340
	\$282,957	0	\$282,957
Other Revenue			
Interest income	\$4,946	\$3,283	\$1,663
Non-trust revenue	0	0	0
Operating transfer ¹⁰	0	327,345	(327,345)
Permits, fees, and miscellaneous	0	0	0
	\$4,946	\$330,628	\$(325,682)
Adjustments ¹⁹	(5,560)	(5,560)	0
Total Revenue	\$5,056,941	\$325,068	\$4,731,873

Totals may not add due to rounding.

See fiscal notes, pages 22-25

Aquatic Lands

Revenue and Distribution

● State-owned aquatic lands (tidelands, shorelands and beds of navigable waters) are a “public trust”—managed to benefit the public as a whole. Revenue from these state grant lands is divided between two accounts:

The RMCA-aquatic supports DNR’s management of state aquatic lands and resources, and the ALEA provides for the purchase, improvement and protection of aquatic lands, largely through grants to public entities. Distribution varies according to activity and land classification, and is governed by law.

'06

REVENUE		DISTRIBUTION	
Source	Total Funds	Aquatic Lands Enhancement	Resource Management Cost Account ¹³
Aquatic Resources Activities			
Leases	\$17,824,954	10,285,695	7,539,259
Mineral and hydrocarbon	505,373	269,645	235,728
Rights-of-way	1,012,203	531,966	480,237
Interest income ¹	210,093	26,474	183,619
Non-trust revenue ^{14, 15}	(59,015)	0	(59,015)
Miscellaneous ¹	38,219	1,853	36,366
Adjustments ¹⁹	7,629	(137,137)	144,766
Total Revenue	<u>\$19,539,455</u>	<u>\$10,978,495</u>	<u>\$8,560,960</u>

RMCA – AQUATIC

Revenue, Expenditures and Fund Balance

Trust Balance (July 1, 2005)	<u>\$2,177,309</u>
RMCA Aquatic Revenue	8,560,960
Less: Expenditures ²	
Aquatic resources	\$4,745,983
Administration	218,126
Interagency payments	1,365,636
Agency support	1,816,933
Total operating expenditures	8,146,677
Capital expenditures	0
Total expenditures	<u>8,146,677</u>
Trust Balance (June 30, 2006)	<u>\$2,591,592</u>

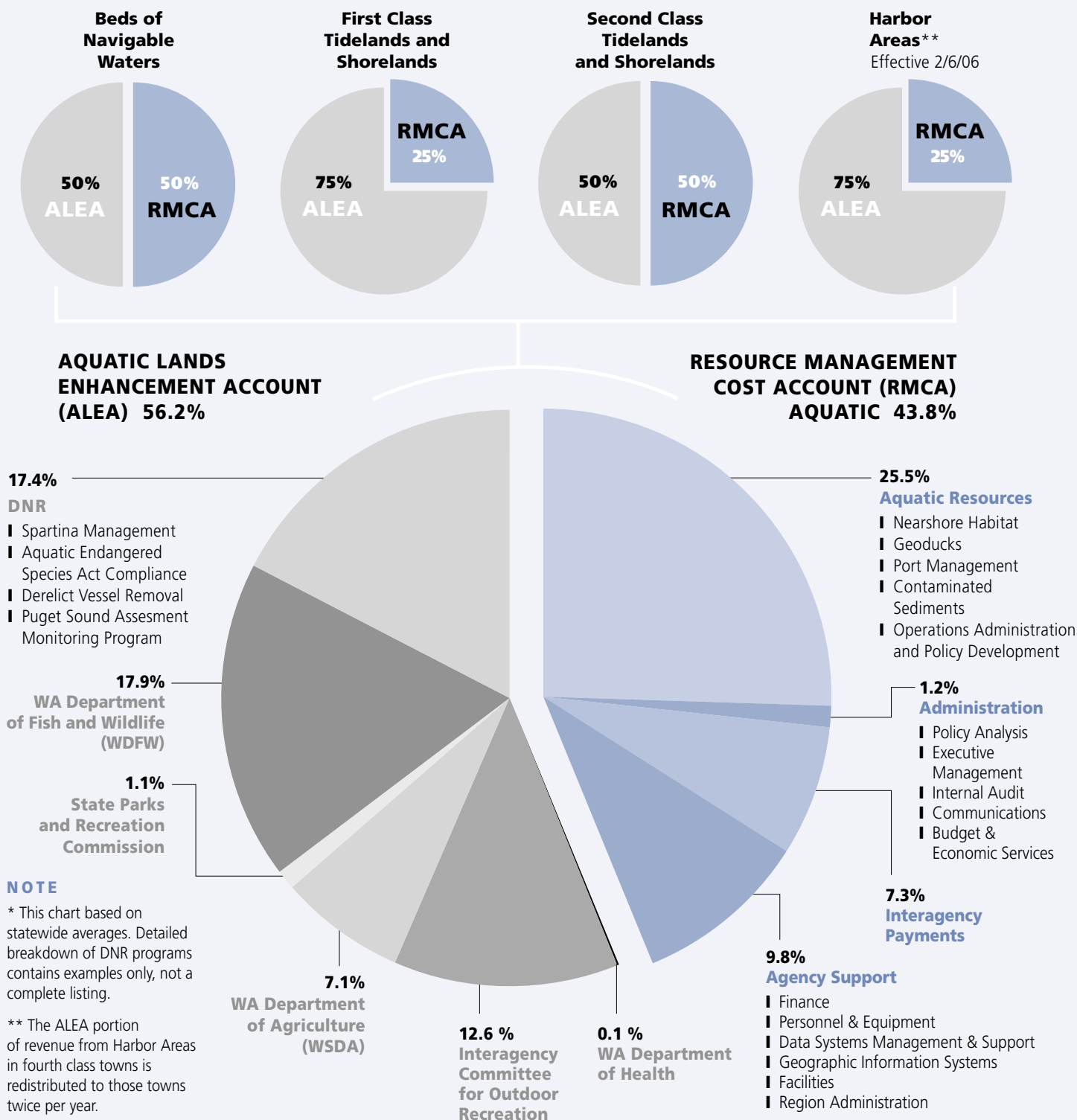
Totals may not add due to rounding.

See fiscal notes, pages 22-25

General* Distribution of Revenue from State-Owned Aquatic Lands

By law, revenue from state-owned Aquatic Lands goes to the ALEA for aquatic resource enhancement and to the RMCA to fund DNR's management of state aquatic lands. Distribution differs for different types of aquatic land — see the small pie charts. The large pie chart shows the combined

total distribution, with the ALEA share divided among state agency expenditures from that account, and the RMCA share divided among DNR's expenditures from the RMCA. Expenditures are appropriated by the Legislature and are ongoing investments to keep the submerged lands productive.



See fiscal note #7, page 23.

Forest Development Account (FDA)

Revenue, Expenditures and Fund Balance

● The FDA funds DNR's land management activities on State Forest Lands (formerly known as Forest Board lands) in 21 counties. DNR deposits a portion of the revenue it generates from these lands into the FDA, and the legislature appropriates funds from the account to DNR for expenditures. The FDA is used for land management expenses (e.g., reforestation, preparing timber sales) on State Forest Lands.

'06

Fund Balance (July 1, 2005)	\$32,495,491	
FDA Revenue	22,810,213	
Less: Expenditures ²		
Agricultural resources	\$(4,444)	
Asset management & protection	841,736	
Product sales & leasing	6,590,459	
Land management	7,261,207	
Correctional camps	2,001,225	
Administration	378,859	
Interagency payments	1,830,989	
Agency support	3,505,688	
Engineering services	1,246,562	
Total operating expenditures	\$23,652,281	
Total capital expenditures	243,586	
Total expenditures and other charges	23,895,867	
FDA Fund Balance (June 30, 2006)	\$31,409,837	

Totals may not add due to rounding.

See fiscal notes, pages 22-25

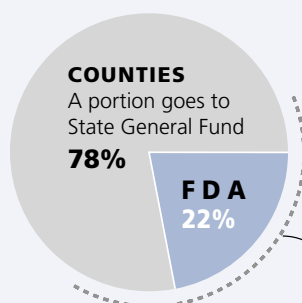
General* Distribution of Revenue from State Forest Lands

(Formerly Known as Forest Board Lands)

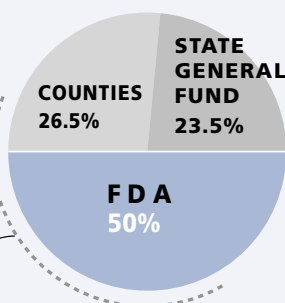
By law, revenue from State Forest Lands (formerly known as Forest Board lands) goes to the county in which the land is located, the State General Fund for the support of Common Schools, and the FDA to fund DNR's management of the lands. Distribution differs for Transfer lands and Purchase lands — see the small pie charts.

The large pie chart shows the combined total distribution for FY 06, with the FDA share divided among DNR's expenditures from the account. Expenditures are appropriated by the Legislature and are ongoing investments to keep the lands productive and to generate future revenue.

Transfer Lands** 546,100 acres



Purchase Lands 79,400 acres



NOTE

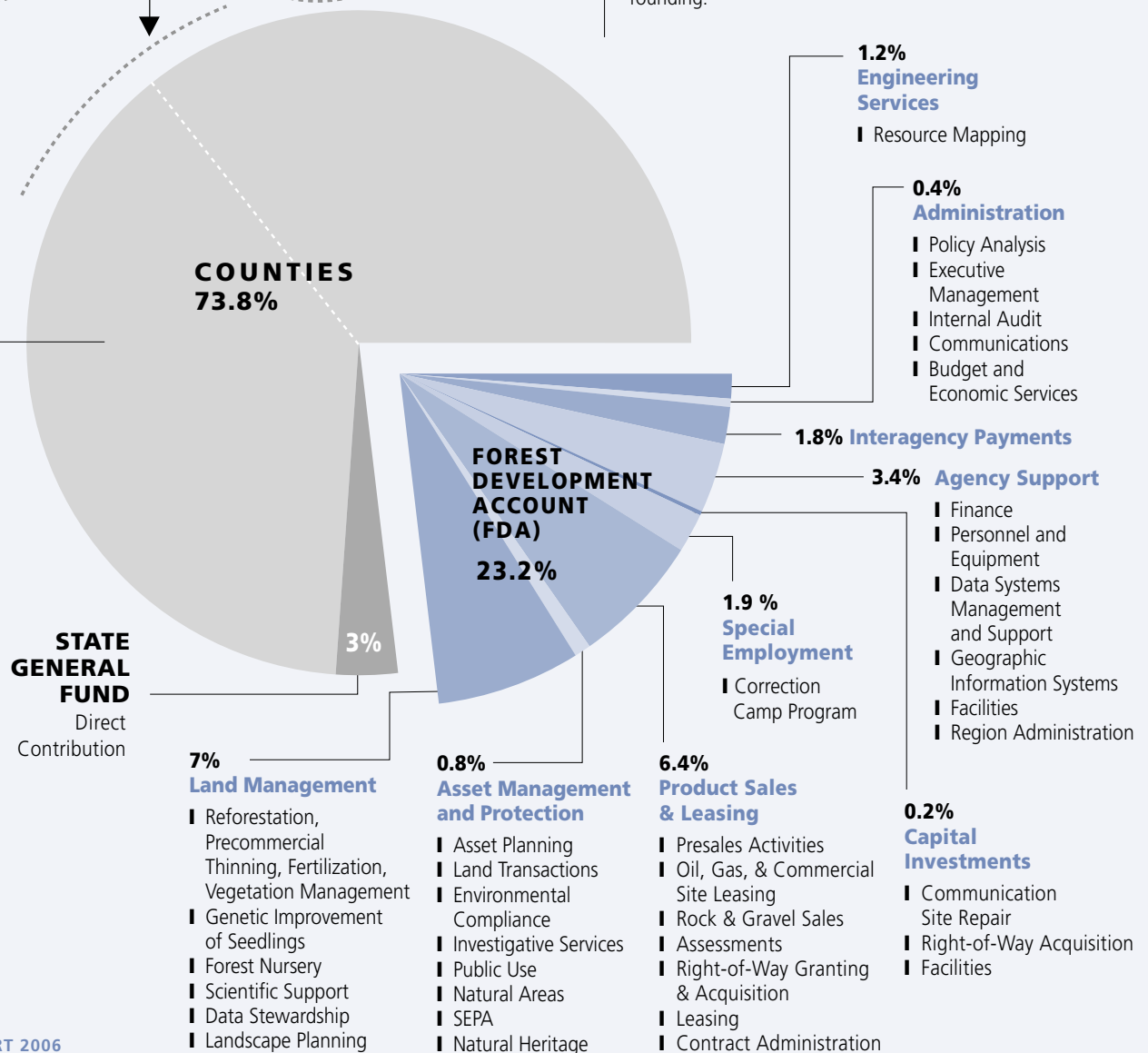
* This chart based on statewide averages. Detailed breakdown of DNR programs contains examples only, not a complete listing.

** Under Board of Natural Resources resolution #97-919, this distribution of revenue will remain in effect until the fund balance declines to six months' operating expenses, at which time DNR is authorized to reinstate the statutory maximum FDA distribution rate (25% FDA / 75% county).

Totals may not add, due to rounding.

Net effect to counties after their redistribution to the General Fund: Estimated 37%.

Counties also redistribute revenue to junior taxing districts, bond retirement, road funds, and other obligations. These vary by county.



State Forest Lands

(Formerly Known as Forest Board Lands)

Income from these lands is distributed to the counties in which the lands are located, the state General Fund for the support of common schools, and the Forest Development Account (FDA) for DNR's land management expenses on these lands. There are two categories of State Forest Lands (formerly known as Forest Board lands): Purchase lands and Transfer lands.

Purchase lands were given to the state or purchased by the state at low cost. The FDA receives half the income from these lands. The other half is divided between the respective county and the state General Fund for the support of common schools.

'06

REVENUE		CONTRIBUTING LANDS	
Source	Total	Transfer Lands	Purchase Lands
Sales			
Timber sales	\$96,651,009	\$87,411,141	\$9,239,868
Timber sales-related activities ¹	135,959	135,426	533
	\$96,786,967	\$87,546,567	\$9,240,401
Leases			
Agriculture/minor forest products	\$211,465	\$162,984	\$48,481
Commercial/special use	63,332	48,124	15,208
Mineral and hydrocarbon	139,190	139,190	0
Rights-of-way	90,837	87,430	3,407
Communication sites	994,435	639,164	355,271
	\$1,499,259	\$1,076,892	\$422,367
Other Revenue			
Interest income ¹	\$8,202	\$6,819	\$1,383
Permits, fees, and miscellaneous ¹	280	280	0
Treasurer's revenue ¹⁶	113,228	N/A	N/A
FDA non-trust revenue ¹⁴	126,711	N/A	N/A
	\$248,421	\$7,099	\$1,383
Adjustments (FDA, GF-S only) ¹⁹	(24,866)	N/A	N/A
Total Revenue	\$98,509,781	\$88,630,558	\$9,664,150

N/A—not applicable

Totals may not add due to rounding.

See fiscal notes, pages 22-25



BLANCHARD FOREST

Located in Skagit County, Blanchard Forest's 4,800 acres were heavily logged until the 1920s, when a wildfire burned most of the remaining old forest. After landowners abandoned this devastated landscape, Blanchard was deeded to the state to be managed as trust land. Its forests replanted and restored, it now generates income for beneficiaries such as Skagit County services, public schools, and a hospital.

State Forest Lands (Continued)

Transfer lands were forfeited to the counties in which they were located when the private landowners failed to pay property taxes, primarily in the 1920s and 1930s. The counties turned the lands over to the state. DNR now manages these lands and distributes at least 75 percent of the income to the counties and up to 25 percent of the income to the FDA.

(As of July 1, 1997, under Board of Natural Resources resolution #97-919, the amount distributed to the counties increased to 78 percent, and the amount distributed to the FDA was reduced to 22 percent. This change will remain in effect until the fund balance in FDA declines to an amount equal to operating expenses for six months, at which time DNR is authorized to reinstate the statutory maximum distribution to the FDA: 25 percent.)

'06

REVENUE DISTRIBUTION

CONTRIBUTING LANDS

Recipient	Total	Transfer Lands	Purchase Lands
County			
Clallam	\$5,483,909	\$5,483,909	0
Clark	4,496,323	4,480,223	16,100
Cowlitz	5,169,449	5,168,257	1,192
Grays Harbor	2,148,337	1,261,997	886,340
Jefferson	2,286,824	2,286,824	0
King	866,718	866,718	0
Kitsap	163,223	143,645	19,578
Klickitat	2,204,684	2,204,684	0
Lewis	10,187,580	9,878,937	308,643
Mason	3,104,335	3,102,883	1,452
Okanogan	28	28	0
Pacific	1,940,081	1,914,175	25,906
Pierce	758,589	570,245	188,344
Skagit	10,526,383	10,526,383	0
Skamania	480,434	467,570	12,864
Snohomish	9,041,751	9,041,751	0
Stevens	39,760	39,760	0
Thurston	6,086,388	4,279,942	1,806,446
Wahkiakum	1,285,578	1,285,578	0
Whatcom	6,366,307	6,353,066	13,241
Treasurer's revenue ¹⁶	113,228	N/A	N/A
	\$72,749,910	\$69,356,575	\$3,280,106
Forest Development Account			
Trust activity	\$22,739,123	\$19,272,204	\$ 3,466,920
Permits, fees, and miscellaneous ¹	2,376	1,779	597
Treasurer's revenue	0	N/A	N/A
FDA non-trust revenue ¹⁴	126,711	N/A	N/A
Adjustments ¹⁹	(57,993)	N/A	N/A
	\$22,810,217	\$19,273,982	\$3,467,517
General Fund – State*	\$2,916,527	\$0	\$2,916,527
Adjustments ¹⁹	33,127	N/A	N/A
	\$2,949,654	\$0	\$2,916,527
Total Revenue	\$98,509,781	\$88,630,558	\$9,664,150

N/A—not applicable.
Totals may not add due to rounding.

* Income from Transfer lands is not directly distributed to the State General Fund. However, counties redistribute a portion of their share of income from these lands to the fund.

See fiscal notes,
pages 22-25